

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-09 EUR-12 NEA-10

IO-13 L-03 FRB-01 OMB-01 ITC-01 SP-02 USIA-15

AGRE-00 AID-05 CIAE-00 COME-00 INR-07 LAB-04

NSAE-00 OIC-02 EPG-02 SIL-01 STR-04 TRSE-00

CEA-01 IGA-02 SS-15 NSC-05 PA-02 PRS-01 /146 W

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R 130918Z MAY 77

FM USMISSION GENEVA

TO SECSTATE WASHDC 7314

INFO ALL EC CAPITALS

AMEMBASSY ABIDJAN

AMEMBASSY ANTANARIVO

AMEMBASSY ASUNCION

AMEMBASSY BANGKOK

AMEMBASSY BERN

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

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AMEMBASSY MAPUTO

AMEMBASSY MBABANE

AMEMBASSY MEXICO

AMEMBASSY MOGADISCIO

AMEMBASSY MONTEVIDEO

AMEMBASSY MOSCOW

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AMEMBASSY SUVA
AMEMBASSY TAIPEI
AMEMBASSY TEGUCIGALPA
TUQMAD/AMEMBASSY TEL AVIV 1232 THRU 1249
AMEMBASSY TOKYO
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON
AMCONSUL BELIZE
AMCONSUL CALI
AMCONSUL CAPETOWN
AMCONSUL DURBAN
AMCONSUL GUAYAQUIL
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
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UNCLAS SECTION 1 OF 13 GENEVA 3694

E.O. 11652: N/A

TAGS: UNCTAD, ETRD

SUBJECT: UNCTAD: UN SUGAR CONFERENCE - PROGRESS REPORT ON WORK
GROUP ON QUOTAS AND STOCKS

FOLLOWING IS THE TEXT OF THE "PROGRESS REPORT" GIVEN
BY CAMPBELL OF AUSTRALIA, CHAIRMAN OF WORKING GROUP I
ON QUOTAS AND STOCKS, TO THE FULL ECONOMIC COMMITTEE
MAY 12. THE REPORT REFLECTS ACCURATELY THE CURRENT STATE
OF PLAY ON THE KEY ECONOMIC ISSUES ON WEDNESDAY OF THE
FOURTH WEEK OF THE SIX WEEK CONFERENCE.

QUOTE: I SHOULD SAY AT THE OUTSET THAT THIS IS A PURELY
PERSONAL PERSPECTIVE; THE SUBSTANCE OF WHAT I HAVE TO SAY
HAS NOT BEEN DISCUSSED IN THE WORKING GROUP. INDEED,
SOME OF THE VIEWS I WILL BE PUTTING FORWARD HAVE BEEN

CONDITIONED BY PRIVATE EXCHANGES I HAVE HAD WITH DELEGATIONS.

THERE IS NO CONFLICT AS TO OBJECTIVES. ALL MEMBERS OF THE GROUP FEEL THAT THERE SHOULD BE AN AGREED PRICE RANGE AND THAT WE SHOULD EVOLVE MECHANISMS WHICH WILL ENSURE THAT THE WORLD PRICE IS HELD WITHIN THAT AGREED RANGE. OUR DISCUSSIONS, THEREFORE, HAVE BEEN ABOUT MEANS OF ACHIEVING OBJECTIVES.

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CEA-01 IGA-02 SS-15 NSC-05 PA-02 PRS-01 /146 W

-----131235Z 098998 /45

R 130918Z MAY 77

FM USMISSION GENEVA

TO SECSTATE WASHDC 7315

INFO ALL EC CAPITALS

AMEMBASSY ABIDJAN

AMEMBASSY ANTANARIVO

AMEMBASSY ASUNCION

AMEMBASSY BANGKOK

AMEMBASSY BERN

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

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AMEMBASSY BUENOS AIRES

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AMEMBASSY CARACAS

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THE GROUP HAS ALSO CONDUCTED ITS MEETINGS WITHIN
THE GENERAL PROPOSITION THAT THERE MAY ONLY BE ONE CHANCE
TO GET A NEW AGREEMENT IN 1977, AND THAT THAT CHANCE
COULD EXPIRE AT THE END OF THIS MONTH.

THE GROUP HAD BEFORE IT THREE BROAD APPROACHES TO
STABILIZATION OF THE MARKET:

(I) A QUOTE MECHANISM SUPPORTED BY STOCKS. THIS
IS THE "TRADITIONAL" APPROACH EMBODIED IN
THE 1968 I.S.A., AND IN OUR WORKING DOCUMENT.
A NUMBER OF IMPORTANT
VARIATIONS OF THIS BASIC APPROACH HAVE BEEN
PROPOSED.

(II) AN APPROACH PUT FORWARD BY THE U.S.A., WHICH
ALSO ENVISAGES A MIXTURE OF QUOTA AND STOCKS
MECHANISMS, BUT WHICH ASSIGNED A MUCH GREAT-
ER ROLE TO STOCKS. IN ADDITION, IT INTRO-
DUCED THE CONCEPT OF A JOINTLY FINANCED
SUGAR PRICE STABILISATION FUND TO FINANCE
SPECIAL STOCKS ADDITIONAL TO MINIMUM STOCKS

(III) AN APPROACH PUT FORWARD BY THE E.E.C. WHICH
ENVISAGES A HEAVY RELIANCE ON REGULATION OF
THE MARKET BY THE ACCUMULATION OR CONTROLLED
RELEASE OF STOCKS, SUPPORTED BY PURCHASE AND
SUPPLY COMMITMENTS, BUT WHICH EXCLUDES ANY
REGULATION OF SUPPLY BY EXPORT QUOTAS.

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CEA-01 SS-15 NSC-05 PA-02 PRS-01 IGA-02 /146 W
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R 130918Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC 7316
INFO ALL EC CAPITALS

AMEMBASSY ABIDJAN
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THE GROUP HAVE THE BENEFIT OF A THOROUGH EXPLANATION OF THE E.E.C. APPROACH.

NEVERTHELESS, THE CLEAR CONSENSUS IS THAT A NEW I.S.A. MUST INCLUDE A QUOTA MECHANISM IF IT IS TO ATTRACT SUFFICIENT SUPPORT. THE E.E.C., ON THE OTHER HAND HAVE MADE IT CLEAR THAT THEY CANNOT SUBJECT THEIR OWN EXPORT TRADE TO THE DISCIPLINES OF A QUOTA MECHANISM. IN SO SAYING, HOWEVER, THEY HAVE EMPHASIZED THAT THEY WOULD BE WILLING TO UNDERTAKE SIGNIFICANT DISCIPLINES OF ANOTHER FORM, IF THEY WERE TO JOIN A NEW I.S.A. MEMBERS OF THE WORKING GROUP ARE REFLECTING ON THIS ISSUE, AGAINST A WIDESPREAD DESIRE TO HAVE THE E.E.C. AS A MEMBER OF A NEW AGREEMENT.

MEANWHILE, WE NEED TO EVOLVE A QUOTA/STOCKS MECHANISM FOR INCORPORATION IN A NEW AGREEMENT. A MAJOR ISSUE HERE IS THE PRICE RANGE WITHIN WHICH SUCH A QUOTA MECHANISM COMPONENT SHOULD BE OPERATIVE. FOR INSTANCE, THE INITIAL IDEAS PUT FORWARD BY THE UNITED STATES EVISAGED THAT A QUOTA MECHANISM WOULD ONLY BECOME OPERATIVE AT THE BOTTOM OF THE AGREED PRICE RANGE. NEVERTHELESS, THE UNITED STATES HAVE MADE IT CLEAR THAT THEY ARE COMMITTED TO MAKING THE MINIMUM OF A PRICE RANGE AN EFFECTIVE MINIMUM; AND WERE THEREFORE WILLING TO LISTEN TO ARGUMENTS IN SUPPORT OF A QUOTA MECHANISM COMING INTO EFFECT ABOVE THE MINIMUM. IN ASSESSING THE DISCUSSIONS OF THE GROUP, I FEEL THAT A CONSENSUS HAS EMERGED THAT A QUOTA MECHANISM SHOULD FORM PART OF A BATTERY OF DEVICES DESIGNED TO PROTECT THAT MINIMUM PRICE, AND THAT THEREFORE THE QUOTA MECHANISM SHOULD COME INTO EFFECT ABOVE THE MINIMUM.

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CEA-01 IGA-02 SS-15 NSC-05 PA-02 PRS-01 /146 W
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R 130918Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC 7317
INFO ALL EC CAPITALS
AMEMBASSY ABIDJAN
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BUT HOW MUCH ABOVE THE MINIMUM IS STILL AN
UNRESOLVED ISSUE. GENERALLY, IMPORTERS FEEL THAT, IF WE
ARE TO HAVE A BROAD PRICE RANGE, THEN QUOTAS SHOULD ONLY
OPERATE OVER THE LOWER PART OF THAT PRICE RANGE. EXPORTERS,
ON THE OTHER HAND, HAVE BEEN ARGUING THAT QUOTAS SHOULD
APPLY OVER MOST OR ALL OF A BROAD PRICE RANGE.

THE DEBATE ON THIS ISSUE ALSO COVERED THE QUESTION
OF THE ACCUMULATION OF MINIMUM OR RESERVE STOCKS. A
NUMBER OF EXPORTERS HAVE ASSERTED THAT:

(I) THEY SHOULD NOT BE OBLIGED TO ACCUMULATE
MINIMUM OR SPECIAL STOCKS IN THE EVENT
THAT THEY HAD A VERY POOR CROP AND, AS A
RESULT, BELOW NORMAL EXPORT CAPACITY.

(II) THAT, ACCORDINGLY, SUCH STOCKS SHOULD
ONLY BE ACCUMULATED FROM SUGAR SURPLUS TO
THEIR CURRENT EXPORT QUOTAS, WHICH PROVIDED
A READY INDICATION OF "NORMAL" EXPORTS.
THE NEED FOR SUCH A MEASURE OF NORMALITY
LED THEM TO THE VIEW THAT STOCKS SHOULD
ONLY BE ACCUMULATED IN SITUATIONS WHERE
QUOTAS WERE IN OPERATION.

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STR-04 TRSE-00 CEA-01 SS-15 NSC-05 /146 W
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R 130918Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC 7318
INFO ALL EC CAPITALS
AMEMBASSY ABIDJAN
AMEMBASSY ANTANARIVO
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IT WAS ALSO ASSERTED THAT IT WOULD BE UNWISE FOR
BROADER REASONS TO REQUIRE STOCKS TO BE ACCUMULATED, AND
SO REMOVE SUGAR FROM THE MARKET, WHEN QUOTA RESTRAINTS
HAVE BEEN REMOVED IN RESPONSE TO A RISE IN PRICES.

IT SEEMS LIKELY THAT A NEW MECHANISM WILL REFLECT
ACCEPTANCE OF THE POSITION THAT MINIMUM OR SPECIAL STOCKS
SHOULD ONLY BE ACCUMULATED WHILST QUOTAS ARE OPERATIVE
AND THAT, IF AN EXPORTER'S AVAILABLE EXPORT SUPPLIES ARE
LESS THAN ITS CURRENT EXPORT ENTITLEMENT PLUS STOCK
ACCUMULATION OBLIGATION, THEN IT WOULD BE FREE TO GIVE
PRIORITY TO FULFILLING ITS EXPORT ENTITLEMENTS.

THE NEXT MAJOR ROAD BLOCK IS WHETHER OR NOT THERE
SHOULD BE SOME MINIMUM TO INDIVIDUAL QUOTAS IN EFFECT.
A NUMBER OF IMPORTANT DELEGATIONS - BOTH IMPORTERS AND
EXPORTERS - HAVE STATED THAT PRIORITY SHOULD BE GIVEN
TO DEFENCE OF PRICES AND THAT THE AGREEMENT SHOULD ALLOW
ANY LEVEL OF QUOTA CUTS NECESSARY TO ACHIEVE THAT OBJECT-
58;3.

A NUMBER OF EXPORTING COUNTRIES HAVE INSISTED THAT
ANY NEW AGREEMENT MUST INCLUDE SOME MINIMUM EXPORT
ENTITLEMENT. IN SUPPORT OF THEIR POSITION THEY MENTION:

THE NEED FOR SOME MINIMUM EXPORT
ENTITLEMENT TO ALLOW FORWARD
PLANNING OF THEIR INDUSTRIES,
INCLUDING THE IMPLEMENTATION OF
FORWARD MARKETING POLICIES.

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R 130918Z MAY 77

FM USMISSION GENEVA
TO SECSTATE WASHDC 7319
INFO ALL EC CAPITALS
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C O R R E C T E D C O P Y MRN 3694 VICE 3594

THAT SOME OF THEM ARE UNUSUALLY
DEPENDENT ON THE FREE MARKET, SO
THAT UNLIMITED QUOTA CUTS COULD
HAVE VERY BIG EFFECT ON THEIR
INDUSTRY AND THAT, WHATEVER THE
LIKELIHOOD OF SUCH CUTS, THEY
HAVE TO INSIST ON A KNOWN LIMIT.

WE HAVE NOT MADE SIGNIFICANT PROGRESS ON THIS
ISSUE.

HOWEVER, ALL MEMBERS OF THE WORKING GROUP -IAT
LEAST THOSE WHICH ACCEPT THE NEED FOR A QUOTA MECHAN-
ISM - ARE UNITED IN THE VIEW THAT THEY WANT AN
EFFECTIVE QUOTA MECHANISM. IT FOLLOWS - AND MOST
ESPECIALLY IN RESPECT OF A MARKET WITH AN INELASTIC
DEMAND, SUCH AS THE SUGAR MARKET - THAT THE MECHANISM
MUST ALLOW A MATCHING OF SUPPLY AND DEMAND ON THAT
MARKET IF IT IS TO ATTRACT THE NECESSARY SUPPORT. THUS,
EVEN THOSE ADVOCATING MINIMUM EXPORT ENTITLEMENTS ARE
FIRM IN THEIR VIEW THAT QUOTAS OR MARKET SHARES MUST
BE SET AT LEVELS WHICH ARE CAPABLE OF ACHIEVING SUCH A
BALANCE, NOTWITHSTANDING SUCH LIMITS TO QUOTA CUTS.
THEY WILL INSIST ON RESERVING JUDGEMENT ON THE EFFICACY,

AND THEREFORE ACCEPTABILITY, OF SUCH A MECHANISM UNTIL
THE FINAL SCHEDULE OF SOME QUOTAS OR MARKET SHARES IS
KNOWN. IF THAT SCHEDULE OF BASIC SHARES QUOTAS IS
REASONABLE, HAVING REGARD TO BOTH THE "SUGAR CONTENT"
OF INDIVIDUAL BASIS SHARES/QUOTAS AND THE RELATIONSHIP
BETWEEN TOTAL BASIC QUOTAS/SHARES AND TOTAL DEMAND THEN,
LOGICALLY, THE ISSUE OF MINIMUM EXPORT ENTITLEMENTS
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ACTION EB-07

INFO OCT-01 ISO-00 L-03 FRB-01 OMB-01 ITC-01 SP-02
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TRSE-00 CEA-01 AF-10 ARA-10 EA-09 EUR-12 NEA-10
IGA-02 SS-15 NSC-05 PA-02 PRS-01 /146 W
-----131237Z 099416 /41

R 130918Z MAY 77

FM USMISSION GENEVA
TO SECSTATE WASHDC 7320
INFO ALL EC CAPITALS
AMEMBASSY ABIDJAN
AMEMBASSY ANTANARIVO
AMEMBASSY ASUNCION
AMEMBASSY BANGKOK
AMEMBASSY BERN
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
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AMEMBASSY MAPUTO
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TUQMAD/AMEMBASSY TEL AVIV 1237 THRU 1249
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AMEMBASSY WELLINGTON
AMCONSUL BELIZE
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AMCONSUL CAPETOWN
AMCONSUL DURBAN
AMCONSUL GUAYAQUIL
AMCONSUL RIO DE JANEIRO
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SHOULD BE LESS SIGNIFICANT. THE OPPONENTS OF SUCH A SCHEME MAY TEMPER THEIR POSITIONS ON THE GROUNDS THAT IT MAY HAVE LITTLE PRACTICAL SIGNIFICANCE, WHILE ITS SUPPORTERS MAY BE LESS ADAMANT FOR SIMILAR REASONS.

IF WE ACCEPT THAT THE QUESTION OF MINIMUM EXPORT ENTITLEMENTS WILL NOT BE RESOLVED UNTIL THE SCHEDULE OF BASIC EXPORT ENTITLEMENTS OR MARKET SHARES IS AGREED, THEN WE ARE ALMOST CERTAINLY SAYING THAT THE QUESTION OF MINIMUM EXPORT ENTITLEMENTS WILL BE A LIVE ISSUE UNTIL THE LAST DAYS OF THIS CONFERENCE. GIVEN THIS POSSIBILITY, AND GIVEN THE TECHNICAL COMPLEXITY OF ANY EFFECTIVE SUGAR MARKET REGULATORY MECHANISM, IT IS NECESSARY (IN MY VIEW) TO PROCEED WITH THE PREPARATION OF ARTICLES WHICH CAN COVER EITHER APPROACH - THAT IS INCLUDE OR EXCLUDE MINIMUM EXPORT ENTITLEMENTS. SUCH A CONSTRAINT WILL PROBABLY FORCE THE REJECTION OF CERTAIN FORMS OF TECHNICAL EXPRESSION OF CONCEPTS AND ARTICLES WHICH HAVE BEEN SUGGESTED TO THE WORKING GROUP. I AM CONFIDENT, HOWEVER, THAT THIS SORT OF TECHNICAL CONSTRAINT NEED NOT SIGNIFICANTLY RESTRICT THE SUBSTANCE OF OUR WORK.

MEMBERS OF THE WORKING GROUP, AND THE ECONOMIC COMMITTEE, WILL NEED TO FACE THIS ISSUE SQUARELY IF WE ARE ABLE TO MEET OUR SCHEDULE. UNFORTUNATELY, WE DO NOT HAVE AN AGREED APPROACH TO THE REGULATION OF THE MARKET - EXPRESSED IN A SIMPLE COHERENT SET OF ARTICLES WHICH MERELY REQUIRE POLISHING BEFORE PROVIDING A FRAMEWORK FOR NEGOTIATION. RATHER, AS I SAID EARLIER, WE HAVE THREE BROAD APPROACHES. TWO INVOLVE PROVISIONS OF CONSIDERABLE NOVELTY (IN TERMS OF INTERNATIONAL SUGAR

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-----131239Z 099562 /45

R 130918Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC 7321
INFO ALL EC CAPITALS
AMEMBASSY ABIDJAN
AMEMBASSY ANTANARIVO
AMEMBASSY ASUNCION
AMEMBASSY BANGKOK
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GREEMENTS) AND, IAS A RESULT, ARE TECHNICALLY "UNPROVEN" IN THE MINDS OF MANY DELEGATES. A NUMBER OF IMPORTANT VARIANTS TO THE FIRST, OR TRADITIONAL, APPROACH HAVE BEEN SUGGESTED SINCE OUR WORKING DOCUMENT WAS FINALIZED - AND THAT WORKING DOCUMENT ITSELF EMBODIES A NUMBER OF VARIANTS TO KEY PROVISIONS.

ALL IN ALL, WE HAVE A SURFEIT OF PROPOSALS. TECHNICALITIES, RATHER THAN SUBSTANCE, HAVE EMERGED AS A SIGNIFICANT ROADBLOCK AT THIS CONFERENCE. HOWEVER, I HAVE THE GENERAL VIEW THAT, IF THERE IS AN AGREEMENT IN THE AIR, RAPID PROGRESS CAN BE MADE ON TECHNICAL ISSUES. BUT AT THE END OF THE DAY, MANY GOOD IDEAS MUST BE DROPPED IF WE ARE TO AGREE ON A SIMPLE COHERENT MARKET REGULATORY MECHANISM. AND THERE IS NOT MUCH TIME LEFT.

ACCORDINGLY, I DO NOT INTEND TO CANVASS HERE ALL OF THE COMPETING PROPOSITIONS FOR THE LEVERS OF A MARKET REGULATORY MECHANISM. BRIEFLY, THE MORE IMPORTANT OUTSTANDING TECHNICAL ISSUES WHICH I WILL NOT BE COVERING IN DETAIL HERE ARE

THE GLOBAL QUOTA CONCEPT

WHETHER THE AVAILABLE MARKET SHOULD BE ALLOCATED ON THE BASIS OF B.E.T.'S OR MARKET SHARES

THE RE-DISTRIBUTION OF SURRENDERS OF EXPORT ENTITLEMENTS

THIS LIST DOES NOT INCLUDE THE DETERMINATION OF AN
INITIAL SCHEDULE OF BASIC EXPORT TONNAGES OR MARKET SHARES;
THIS IS OUTSIDE THE PURVIEW OF THE WORKING GROUP.

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-----131239Z 099593 /41

R 130918Z MAY 77
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TO SECSTATE WASHDC 7322
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HOWEVER THE GROUP HAS ADDRESSED ITSELF OT THE ISSUE OF
POSSIBLE ADJUSTMENTS TO SUCH A SCHEDULE OF INTIAL BASIC
EXPORT TONNAGES. IT HAS A NUMBER OF PROPOSALS BEFORE IT,
WHICH INCLUDE:

A NUMBER OF PROPOSALS FOR THE AUTOMATIC
ADJUSTMENTS OF BASIC EXPORT TONNAGES/
MARKET SHARES BY PERFORMANCE BASED
FORMULAE

A SUGGESTION THAT BASIC QUOTAS SHOULD
BE READJUSTED BY NEGOTIATION RATHER
THAN BY FORMULA

AS TO THE TIMING AND FREQUENCY OF SUCH ADJUSTMENTS, A
NUMBER OF DELEGATIONS FEEL THAT THE ADJUSTMENTS SHOULD APPLY
BY FORMULA IN RESPECT OF THE SECOND AND EACH SUBSEQUENT YEAR
OF THE AGREEMENT; OTHERS THAT IT SHOULD APPLY BY FORMULA IN
RESPECT OF THE THIRD AND EACH SUBSEQUENT YEAR; OTHERS THAT IT
SHOULD APPLY BY A NEGOTIATION WHICH WOULD TAKE PLACE ONLY ONCE
IN THE LIFE OF THE AGREEMENT TO ALL REVISED BASIC QUOTAS OR
MARKET SHARES FOR THE THIRD AND SUBSEQUENT YEARS.

REGRETTABLY WE HAVE NOT ACHIEVED SIGNIFICANT MOVEMENT
FROM THESE INITIAL AND WIDELY DISPARATE POSITIONS.

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NEA-10 SS-15 NSC-05 PA-02 PRS-01 /146 W
-----131242Z 099664 /41

R 130918Z MAY 77
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TO SECSTATE WASHDC 7323
INFO ALL EC CAPITALS
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THE GROUP ALSO HAS BEFORE IT A PROPOSAL PUT FORWARD
BY THE US FOR THE CREATION OF A SUGAR PRICE
STABILISATION FUND. THE DETAILS OF THIS PROPOSAL ARE SET
OUT IN CRP18 BUT, BRIEFLY, THE CONCEPT IS THAT

IT SHOULD BE FUNDED BY IMPORTING MEMBERS
WITH A PER CAPITA GNP ABOVE \$600 AND BY
EXPORTING MEMBERS, LISTED IN ARTICLE 32, AND
THAT IT SHOULD BE EMPOWERED TO SEEK LOANS FROM
OTHER SOURCES.

THAT THE RESOURCES OF THE FUND SHOULD BE
USED TO FINANCE SPECIAL STOCKS OBLIGATIONS
OF EXPORTERS, ADDITIONAL TO MINIMUM STOCKS,
BUT WHICH ARE PROPORTIONAL TO BASIC EXPORT
ENTITLEMENTS

INTEREST AND OTHER CARRYING COSTS OF SUCH
SPECIAL STOCKS WOULD BE MET BY THE EXPORTING
MEMBERS CONCERNED.

THE UNITED STATES DELEGATION HAVE ASSURED US THAT
IT IS NOT THEIR INTENTION TO CAUSE THE PRODUCTION OF
ADDITIONAL SUGAR TO MEET SPECIAL STOCKS OBLIGATIONS. RATHER
THEY SEE THE FUND FINANCING SUGAR WHICH, IN A GLOBAL SENSE,
WOULD BE PRODUCED AND STORED ANYWAY, AND BY FINANCING SUCH
STOCKS, BRINGING THEM UNDER THE CONTROL OF THE ORGANIZATION
SO THAT THEY CAN BE HARNESSSED TO SERVE THE OBJECTIVES OF
THE AGREEMENT.

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STR-04 TRSE-00 CEA-01 SS-15 NSC-05 /156 W
-----131355Z 100600 /40

R 130918Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC 7324
INFO ALL EC CAPITALS
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THIS IDEA HAS BEEN EXPLORED IN SOME DEPTH BY THE
WORKING GROUP WITHIN THE CONTEXT OF THE OVERALLY PACKAGE OF
IDEAS PUT FORWARD FOR DISCUSSION BY THE UNITED STATES. I
HAVE MENTIONED EARLIER THE VIEW THAT STOCKS SHOULD ONLY BE
ACCUMULATED FROM SUGAR SURPLUS TO EXPORT ENTITLEMENTS AND
THAT, I CONSEQUENTLY, THEY SHOULD ONLY BE ACCUMULATED
WHILST QUOTAS ARE IN EFFECT. I OTHER MATTERS RAISED INCLUDE
THE AVAILABILITY OF SUITABLE STORAGE DISTRIBUTED IN PROPORTION
TO BASIC EXPORT ENTITLEMENTS, THE COMMERCIAL COSTS AND
ATTRACTIVENESS OF FINANCING STOCKS BY SUCH A FUND, PROBLEMS OF
VERIFICATION, AND FEARS THAT THE EXISTENCE OF SPECIAL STOCKS
OF THE ORDER ENVISAGED BY THE U.S. WOULD ACT AS A MARKET DEPRESSANT
EVEN THOUGH SUCH STOCKS WERE SUBJECT TO COUNCIL CONTROL. I
UNDERSTAND THAT SOME COUNTRIES ARE EXAMINING THE WHOLE
PRINCIPLE OF SUCH A FUND, I IN THE LIGHT OF THEIR BORAD TRADE
POLITICES.

I WOULD EMPHASIZE THAT THE US HAS INDICATED
THAT THERE IS SOME FLEXIBILITY IN THEIR POSITION AND THAT
THEY WOULD WELCOME SUGGESTIONS AS TO HOW SUCH PREOCCUPATIONS
COULD BE MET, CONSISTENTLY WITH THE OVERALL OBJECTIVES OF THEIR

PROPOSAL.

PUT IN BROAD TERMS, WORKING GROUP I HAS COMPLETED ITS
EXAMINATION OF OPENING POSITIONS. THE NEXT STAGE IS THAT OF
SEARCHING OUT AND AGREEING ON COMMON GROUND, SO THAT WE CAN
AGREE ON A SINGLE COHERENT SET OF MARKET REGULATORY MECHANISMS.
THAT PROCESS CAN ONLY START IF DELEGATIONS ARE WILLING TO
CHANGE THEIR POSITIONS; THAT IS THEY ARE WILLING TO START
THE PROCESS OF NEGOTIATION. MOST OF THE ISSUES TO BE

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FM USMISSION GENEVA

TO SECSTATE WASHDC 7325

INFO ALL EC CAPITALS

AMEMBASSY ABIDJAN

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RESOLVED IN WORKING GROUP I ARE SECOND ORDER NEGOTIATING
ISSUES. INDEED, IN AN OVERALL SENSE WE SHOULD ALL BE
SEEKING EFFECTIVE MEANS OF IMPLEMENTING AGREED OBJECTIVES
IN RESPECT OF PRICE, ASSURANCES OF SUPPLY, AND SO ON; THE
EFFECTIVENESS OF THE MECHANISM DESIGNED TO IMPLEMENT SUCH
OBJECTIVES SHOULD NOT BE A NEGOTIATING ISSUE. NEVERTHELESS,
PROGRESS IN WORKING GROUP I HAS BEEN STALLED FOR A NUMBER OF
DAYS BECAUSE OF THE DIFFICULTIES SOME DELEGATIONS HAVE IN
REACHING COMMON GROUND ON WHAT SHOULD BE SECOND ORDER ISSUES.
WE MUST RECOGNIZE THAT THE LACK OF PROGRESS
IN WORKING GROUP I HAS REPERCUSSIONS ELSEWHERE - AND MOST
ESPECIALLY IN RESPECT OF THE DETERMINATION OF INDIVIDUAL BASIC
EXPORT TONNAGES OR MARKET SHARES. HENCE THE FACT THAT THE
WORKING GROUP HAS CONFIRMED A CONSENSUS THAT A NEW AGREEMENT
MUST INCLUDE A QUOTA MECHANISM REMOVES ONE ROADBLOCK. BUT
WHAT WE HAVE NOT YET BEEN ABLE TO RESOLVE IS WHETHER EXPORT
ENTITLEMENTS SHOULD BE EXPRESSED IN TERMS OF BASIC EXPORT
TONNAGES (AS IN 1968) OR AS PERCENTAGE MARKET SHARES, AS
A NUMBER OF IMPORTANT DELEGATIONS HAVE SUGGESTED.

I SUGGEST THEREFORE THAT FOR THE TIME BEING THE
COLLECTION OF DATA, EVOLUTION OF PROPOSALS AND, ULTIMATELY,
THE RESULTANT NEGOTIATION OF EXPORT ENTITLEMENTS BE BASED
UPON THE CONCEPT OF BASIC EXPORT ENTITLEMENT ALLIED TO MINIMUM
EXPORT ENTITLEMENTS. HOPEFULLY, WORKING GROUP I WILL HAVE
RESOLVED THIS ISSUE BEFORE THE PROCESS YIELDS A PROPOSED
SCHEDULE OF MARKET ENTITLEMENTS, IN WHICH EVENT ALL THE
PREPARATORY WORK AND DISCUSSIONS WOULD BE EQUALLY APPLICABLE

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ACTION EB-07

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-09 EUR-12 NEA-10
AGR-10 L-03 FRB-01 OMB-01 ITC-01 SP-02 USIA-15
AID-05 CIAE-00 COME-00 INR-07 IO-13 LAB-04
NSAE-00 OIC-02 EPG-02 SIL-01 STR-04 TRSE-00
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-----131441Z 101807 /45

R 130918Z MAY 77
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TO SECSTATE WASHDC 7326
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AMEMBASSY ANTANARIVO
AMEMBASSY ASUNCION
AMEMBASSY BANGKOK
AMEMBASSY BERN
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY BRIDGETOWN
AMEMBASSY BUENOS AIRES
AMEMBASSY CANBERRA
AMEMBASSY CARACAS
AMEMBASSY DACCA
AMEMBASSY GEORGETOWN
AMEMBASSY GUATEMALA
AMEMBASSY HELSINKI
AMEMBASSY KHARTOUM
AMEMBASSY KINGSTON
AMEMBASSY KINSHASA
AMEMBASSY LA PAZ
AMEMBASSY LILONGWE
AMEMBASSY LIMA
AMEMBASSY LISBON
AMEMBASSY MADRID
AMEMBASSY MANAGUA
AMEMBASSY MANILA
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AMEMBASSY MAPUTO
AMEMBASSY MBABANE
AMEMBASSY MEXICO
AMEMBASSY MOGADISCIO
AMEMBASSY MONTEVIDEO
AMEMBASSY MOSCOW
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PANAMA
AMEMBASSY PORT LOUIS
AMEMBASSY PORT OF SPAIN
AMEMBASSY PRETORIA
AMEMBASSY QUITO
AMEMBASSY RABAT
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY SANTIAGO
AMEMBASSY SEOUL
AMEMBASSY SOFIA
AMEMBASSY STOCKHOLM
AMEMBASSY SUVA
AMEMBASSY TAIPEI
AMEMBASSY TEGUCIGALPA
TUQMAD/AMEMBASSY TEL AVIV 1237 THRU 1249

AMEMBASSY TOKYO
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON
AMCONSUL BELIZE
AMCONSUL CALI
AMCONSUL CAPETOWN
AMCONSUL DURBAN
AMCONSUL GUAYAQUIL
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
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TO EITHER OPTION. IF, UNFORTUNATELY, WE DO NOT RESOLVE THE
QUESTION OF B.E.T.'S OR MARKET SHARES BEFORE THERE ARE
SCHEDULES OF PROPOSED MARKET ENTITLEMENTS BEING DISCUSSED,
THEN AGAIN THE WORK INVOLVED WOULD ALLOW THE RAPID REPLACEMENT
OF SUCH A SCHEDULE WITH ONE OF MARKET SHARES, IF THAT WERE
THE AGREED COURSE.

IN MAKING THESE SUGGESTIONS I SHOULD EMPHASIZE AGAIN
THAT THE ISSUE OF MARKET SHARES OR B.E.T.'S REMAINS
UNRESOLVED AND THAT THERE ARE STRONG VIEWS SUPPORTING BOTH
APPROACHES. THANK YOU. UNQUOTE. SORENSON

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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Executive Order: N/A
Errors: N/A
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Original Handling Restrictions: n/a
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Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
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TAGS: ETRD, UNCTAD
To: STATE
Type: TE
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EO Systematic Review
22 May 2009
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